

Message Text

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INFO OCT-01 SS-20 ISO-00 EUR-25 EA-11 SAM-01 SP-03 INR-11

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FM SECSTATE WASHDC

TO AMEMBASSY OSLO IMMEDIATE

INFO AMEMBASSY STOCKHOLM

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY PARIS

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C O N F I D E N T I A L STATE 198061

E.O. 11652: .GDS

TAGS: ENRG

SUBJECT: IEP - NORWEGIAN PARTICIPATION

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1. WE SUGGEST YOU DRAW ON THE FOLLOWING POINTS IN YOUR DISCUSSION WITH FOREIGN MINISTER OF NORWAY'S POSITION ON IEP:

A. IT IS INCREASINGLY EVIDENT THAT LAST WINTER'S FOUR-FOLD INCREASE IN THE PRICE OF OIL IS HAVING AN EXTREMELY ADVERSE EFFECT ON THE WORLD'S ECONOMY, PLACING IN JEOPARDY THE VIABILITY OF MANY OF THE LESS DEVELOPED NATIONS, AND PUTTING CONSIDERABLE STRAIN ON THE ECONOMIES OF THE INDUSTRIALIZED COUNTRIES AS WELL. AND THE EFFECTS OF THESE PRICE INCREASES ARE JUST BEGINNING TO BE FELT.

B. THESE INCREASES WERE THE RESULT OF A SCRAMBLE FOR AVAILABLE OIL BY THE MAJOR CONSUMING NATIONS IN THE FACE OF SHARP SUPPLY REDUCTIONS BY THE ARAB PRODUCERS LAST WINTER. IF WE HAD HAD ON HAND AT THAT TIME A COHERENT AND EFFECTIVE OIL SHARING, STOCKPILING AND DEMAND RESTRAINT PROGRAM WE PROBABLY COULD HAVE LIMITED THESE MASSIVE INCREASES, AND MANY OF THE VERY DAMAGING ECONOMIC DEVELOPMENTS WHICH HAVE OCCURRED SINCE THEN.

C. THE US THEREFORE ATTACHES GREAT IMPORTANCE TO THE SUCCESS OF THE ECG EFFORT TO CONSTRUCT A FRAMEWORK OF CONSUMER COOPERATION WHICH WILL BOTH TEND TO DETER FURTHER INTERRUPTION OF SUPPLY AND GREATLY ENHANCE OUR ABILITY TO WITHSTAND SUCH INTERRUPTIONS IF THEY SHOULD OCCUR. WE BELIEVE SUCH A PROGRAM IS ESSENTIAL IF WE ARE TO AVOID THE TYPE OF POLITICAL DIVISION WITHIN THE WESTERN ALLIANCE WHICH WAS SPARKED BY LAST WINTER'S OIL EMERGENCY.

D. WE ARE, OF COURSE, AWARE THAT NORWAY, AS A GROWING NET EXPORTER OF OIL, IS AFFECTED SOMEWHAT DIFFERENTLY THAN MOST OF THE OTHER MEMBERS OF THE GROUP BY THE OBLIGATIONS OF ANY OIL SHARING SCHEME. WE THEREFORE HOPE THAT IN OUR BILATERAL DISCUSSIONS ON THE IEP, AND IN THE RECENT ECG WORKING GROUP, WE HAVE BEEN ABLE TO HELP NORWAY ASSESS MORE

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PRECISELY ITS POTENTIAL OBLIGATIONS UNDER THE PROGRAM. IT SHOULD BE REMEMBERED THAT NORWAY'S ALLOCATION OBLIGATIONS ARE FINITE AND LIMITED UNDER THE OIL SHARING SCHEME, AND HER EXPORTS TO THIRD COUNTRIES WOULD CLEARLY NOT BE AFFECTED BY HER ALLOCATION OBLIGATIONS.

E. AS WE HAVE EXPLAINED PREVIOUSLY IN SOME DETAIL, WE CONTINUE TO BELIEVE THAT IN ORDER TO BE EFFECTIVE THE IEP MUST HAVE A STRONG PRESUMPTION OF POSITIVE ACTION IN THE EVENT OF AN EMERGENCY. WITHOUT SUCH A FEELING OF CONFIDENCE, INDIVIDUAL COUNTRIES WILL AGAIN FEEL THAT THEY ARE AT THE MERCY OF PRODUCER COUNTRY ACTIONS, WITH ENSUING DAMAGING RESULTS. THUS, WE BELIEVE THE MECHANISM MUST CONTAIN A FIRM TRIGGER WHICH COULD ONLY BE REVERSED BY A STRONG MAJORITY OF THE PARTICIPANTS. THE IEP WOULD, HOWEVER, EXPLICITLY PROVIDE A PROCESS IN WHICH THIS POLITICAL REVIEW WOULD TAKE PLACE.

F. THE FACT THAT THE GOVERNMENTS OF SWEDEN, SWITZERLAND, AUSTRALIA AND NEW ZEALAND HAVE INDICATED THEIR INTEREST IN JOINING THE OIL SHARING PROGRAM IS A GOOD INDICATION OF THE SERIOUSNESS WITH WHICH THEY VIEW THE EXISTING SITUATION, AND THE BENEFITS WHICH THEY BELIEVE THE PROGRAM WOULD PROVIDE. FOR OUR PART, WE ARE PREPARED TO SUPPORT THE APPLICATIONS OF THESE AND ANY OTHER OECD COUNTRIES WHICH ARE PREPARED TO ASSUME THE FULL OBLIGATIONS OF THE PROGRAM. KISSINGER

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